

***Accounting and Auditing
Policy Committee***

***Records Retention Timeframes for
Property, Plant, & Equipment
Research Report***

July 2011

NOTE: This research report was prepared by the Records Retention Subgroup of the AAPC General Property, Plant, and Equipment task force. This report is not intended to reflect authoritative views of the AAPC, the FASAB, or its staff. Official positions of the AAPC and the FASAB are determined only after extensive due process and deliberations.

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Executive Summary

Background of Issue

1. The Accounting and Audit Policy Committee (AAPC) convened a task force to look into various General Property, Plant and Equipment (G-PP&E) issues raised by many federal agencies. The G-PP&E task force put together four subgroups to research these issues. One of the areas being researched was records retention timeframes for document retention that supports PP&E reported in federal agencies financial statements. The subgroup determined that some uncertainties currently exist when entities combine federal accounting standards and National Archives and Records Administration (NARA) guidance. One of the areas the subgroup identified was the coverage of personal property in NARA's General Records Schedule (GRS). The GRS covers the acquisition of personal property but not the disposal or use of an asset. The subgroup also saw an overlap with GRS 3 and GRS 8 that also caused some confusion. The research paper provides some suggested changes to GRS 3 and 8 for NARA's consideration.
2. The subgroup was tasked with looking into the issue of record retention timeframes and methods (hardcopy vs. electronic) for document retention that supports Property Plant & Equipment (PP&E) reported in agencies' general purpose financial statements. This issue had multiple aspects that the subgroup considered, such as permanent PP&E records, transactional PP&E records, and hard copy vs. electronic records. The subgroup approached the task by performing extensive research on record retention practices and requirements and by looking into any guidance related to the subject in federal government and private sector accounting and other standards. In particular, the subgroup researched the NARA's record retention regulations and guidance applicable to federal agencies and visited with NARA's record retention specialist.

Objectives of Recommendations

3. Federal agencies, working together with NARA, establish retention periods for different schedules of records that serve various needs, such as maintaining relevant documentation for a sufficient period of time to protect the government's rights with respect to certain transactions or events, to support effective internal controls over a period of time, and to support assertions made, explicitly and implicitly, in annual financial statements.¹ The PP&E subgroup focused on the latter need. Although this guide's use is not for audit purposes, the subgroup decided to use the management financial statement assertions outlined in the audit guidance as its foundation to develop its guidance. That is, management of federal reporting entities make "assertions regarding the recognition, measurement, presentation, and disclosure of information in the financial statements and related disclosures."² The financial statement assertions outlined in audit guidance include existence, completeness, rights & obligations, valuation & allocation, and

¹ See 44 U.S.C. §§ 3101, 3303 (disposition schedules to reflect the "administrative, legal, research, or other value" of a record to the agency) and 3303a; GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999); *GAO Policies and Procedures Manual for Guidance of Federal Agencies*, Title 8, *Records Management* (Washington, D.C.: February 1991).

² GAO/PCIE *Financial Audit Manual*, GAO-08-585G, § 235.02 (July 2008); see AU § 326.14.

presentation & disclosure. In the context of PP&E, these assertions relate to specific qualitative and quantitative characteristics of a specific category of asset, such as the actual or potential uses of the asset, its useful life, and its acquisition cost.³ Further, management of federal reporting entities should exercise sound judgment when deciding what evidence (in addition to an entity's accounting records) is sufficient to support the assets reported in their financial statements. Accordingly, management of federal reporting entities must identify and document the types of PP&E records to maintain and their retention periods to meet management's various needs.

How would these recommendations improve Federal financial reporting?

4. The recommended changes in this document do not alter existing accounting standards for PP&E. Instead, these recommendations would clarify the record retention issue associated with the current financial reporting standards for PP&E.

Subgroup's Recommended Changes to NARA's General Records Schedule (GRS) 3

- a. The subgroup recommends that the GRS 3 section of the real property files be re-titled as *PP&E files* and the real property section modified as follows: *Real property records that support existence, ownership, overall valuation and classification (e.g., such as deed/title, appraisals, architectural designs and plans, occupancy permits, condemnation, filings, official correspondence with governments, material invoices, final invoices, total cost spreadsheets or downloads, and documentation that would support the acquisition or construction cost of material GPP&E assets), excluding records relating to property acquired prior to January 1, 1921. (a) Records relating to property acquired after December 31, 1920, other abstract or certificate of title. Dispose 10 years after unconditional sale or release by the Government of conditions, restrictions, mortgages or other liens. (b)...* A new section would be added for non-real property as follows: *Personal (Non-real) property records that support existence, ownership, overall valuation and classification (e.g., such as title, appraisals, designs and plans, filings, official correspondence with governments, material invoices, final invoices, total cost spreadsheets or downloads, and documentation that would support the acquisition or construction cost of material PP&E assets), excluding records relating to property acquired prior to January 1, 1921. (a) Records relating to property acquired after December 31, 1920, other abstract or certificate of title. Dispose 6 years 3 months after final payment, however not before 2 years after an asset is removed from an agency's books for unconditional sale or release by the Government.. (b) Abstract or certificate of title Transfer to purchaser after unconditional sale or release by the Government conditions, restrictions, mortgages, or other liens.*
- b. A new section would be added at the end of the section to address transactional records as follows: *Other examples include PP&E records of a transactional nature, such as contracts, invoices, and*

³ See SFFAS 6, Par. 22-45 & SFFAC 5, Par. 18-25 for a further discussion on PP&E recognition.

payment documents. Such routine procurement files normally are subject to section 3 of this GRS or other GRS, as applicable, but the agency may determine that it is necessary to also retain any such record (high dollar, large scope, material to financial statements or other purposes) under that section to serve one or more of the purposes stated above.

- c. For the routine procurement files section of the GRS 3, the subgroup recommends no changes as the new reference above is intended to clarify its applicability to PP&E records “Contract, requisition, purchase order, lease, and bond and survey records, including correspondence and related papers pertaining to award, administration, receipt, inspection and payment. (a) Transactions that exceed the simplified acquisition threshold and all construction contracts exceeding \$2,000. Destroy 6 years and 3 months after final payment. However, management should use its judgment to determine if the records should be retained longer than the recommended periods. Management should assess its record retention needs based on factors such as audit requirements, capitalization thresholds, and other qualitative considerations. (b) Transactions at or below the simplified acquisition threshold and all construction contracts at or below \$2,000. Destroy 3 years after final payment.”

Subgroup’s Recommended changes to GRS 8

- d. The subgroup recommends that the GRS 8 section B have mention of capital investment and mentions of plant value removed to avoid confusion with GRS 3. The following wording would be deleted: *but in addition are a principle source of data on the capital investment in physical plan(as distinguished from maintenance or operating costs) an other items not normally represented in a store or stock inventory system. Summary data on plant value are also maintained. For retention periods applicable to records that support the accounting for Property, Plant and Equipment under generally accepted accounting principles, see GRS 3.*

Description of Issue

5. Currently there are varying policies on how long and the types of records federal agencies retain that support assertions related to PP&E. This is due to the “gray area” that currently exists in federal accounting pronouncements, NARA, and agency guidance. The subgroup’s research also showed the accounting standards do not address guidance on record retention. These recommendations would align the retention of PP&E records in NARA with Federal Acquisition Regulation (FAR) guidance. There is existing guidance (NARA’s GRS 4 and GRS 20) on the disposal of certain PP&E and electronic records. The subgroup does not recommend further guidance on the disposal of PP&E and electronic records. The subgroup’s objective is to provide consistency in the record retention guidance and practices for federal agencies.

Scope

6. The subgroup's research and recommendations are limited to record retention guidance and practices for the G-PP&E category. The recommended changes are separated into real property and personal (non-real) property to conform to existing written NARA guidance. The subgroup conducted high level research on record retention guidance and practices in the federal government and the private sector and in accounting standards. The research focus was only at the PP&E level. The research did not look into sub-PP&E levels or the uniqueness and differences of equipment, capitalized software, capitalized leases, construction-in-progress (CIP), stewardship etc.
7. The subgroup addressed the value of records as documentation of property and its valuation and does not attempt to address values any other stakeholder group may place on those same records. The subgroup's recommendations are not intended as guidance for the audit/oversight community. These recommendations are not meant to address the sufficiency of evidence to be able to draw conclusions, measure the validity of evidence, or infringe on the judgment of the oversight community. It is intended for agency management as general governmental guidance to assist with consistency across government regarding PP&E record retention.

Benefits and Costs

8. The practice of record retention is a key element in developing substantive evidence for supporting balances on financial statements. Agencies need to have sufficient substantive evidence which can take many documentation forms, and in some cases has led to confusion in the community. Those charged with oversight of agencies [(Government Accountability Office – (GAO), and Offices of Inspector General – (OIG), and Independent Public Accountants – (IPA)], along with Office of Management and Budget (OMB) need to obtain sufficient evidence to be able to draw reasonable conclusions on which to base their reports. Most of the work in forming an opinion on the financial statements consists of obtaining and evaluating evidential matter concerning management's assertions in the financial statements. The measure of the validity of such evidence for oversight purposes lies in judgment. Factors impacting substantive evidence include: documentation for legacy assets; support for management's assertions; and policies on record retention.
9. Entities are frequently unable to support legacy asset values with adequate supporting documentation. In many cases, legacy assets may be very old and source documentation to support the valuation of these assets may no longer exist. Source documentation may exist, but it may be in poor condition, not searchable, or a victim of agency's poor record management practices. Sometimes there is lack of sufficient agency guidance detailing the specific documentation requirements by class of asset and alternative solutions need to be derived. Alternative documentation solutions include options based on the level of existing documentation along with an agreement and understanding by all oversight entities.

10. The objective of the subgroup's recommendations on record retention timeframes is to assist agencies with record retention timeframes for both current and previously held records from a cost/benefit aspect. These recommendations do not encourage any material costs to agencies associated with modifying the record retention timeframes and these recommendations should be implemented at the discretion of the agency.

Recommendations

11. The subgroup recommended the retention of Federal reporting entities' PP&E records consistent with the following principles:
- Records supporting the existence of a PP&E asset; records supporting the federal reporting entity's rights, such as ownership; records supporting the completeness of a group of PP&E; records supporting the overall valuation of PP&E, depreciation, and book value (whether actual or estimated historical cost); records supporting financial statement classification, description, and disclosure, such as the use(s) and useful life of the PP&E should be retained until:
 - Long-term type records should be retained at a minimum as follows:
 - 10 years after the disposal of the asset for **real property**.
 - 6 years 3 months after final payment *however not before 2 years after an asset is removed from an agency's books for unconditional sale or release by the Government* for **personal (non-real) property**.

Examples of long-term type records include, deed/title, appraisals, architectural designs and plans, occupancy permits, condemnation, filings, official correspondence with governments, material invoices, final invoices, total cost spreadsheets, and documentation that would support the acquisition or construction cost of material PP&E assets.
 - Transactional type records for real and personal (non-real) property should be retained until:
 - 6 years 3 months after final payment of the asset.

Examples of transactional type records include contracts, invoices, and payment documents. Such routine procurement files normally are subject to section 3 of this GRS or other GRS, as applicable, but the agency may determine that it is necessary to also retain any such record (high dollar, large scope, material to financial statements or other purposes) under that section to serve one or more of the purposes stated above.
12. Federal reporting entities should apply GRS record retention periods to their unique systems of records, including electronic records. However, management should use its judgment to determine if the records should be retained longer than the recommended periods. Management should assess its record retention needs based on factors such as audit requirements, capitalization thresholds, and other qualitative

considerations. For example, one or more of each of the assertion categories above could be supported with a combination of common records.

13. By law, federal agencies are required to develop record retention schedules for all of their records not covered by the NARA general records schedules (GRS).⁴ GRS are schedules that prescribe retention periods for records of a specified form or character common to several or all agencies. NARA reviews all agency specific records schedules and they can not be implemented until NARA has approved them. Once approved by NARA, retention periods in the schedules are mandatory and authorize the systematic removal of unneeded records from federal offices.
14. The record retention schedule revisions recommended by the subgroup apply to both hardcopy and electronic records. However, the subgroup recognizes the capability to keep electronic records is becoming more common and less costly and suggests where applicable, electronic PP&E records (financial system downloads of transactional information, etc.) should be retained for the PP&E records retention periods. If the method for reading the format of old electronic records is no longer available, NARA requires agencies to modify the records to a current readable format.

Recommended NARA Changes

15. The subgroup suggested that its recommendations on record retention timeframes be implemented through an official request from the AAPC to the NARA. The AAPC's request would include clarifying and modifying current NARA record retention periods set out in NARA's GRS 3 & 8 to address agency's old long-term and transactional PP&E records.

Subgroup's Recommended Changes to GRS 3

16. The subgroup recommends that the GRS 3 section of the real property files be re-titled as *PP&E files* and the real property section modified as follows: *Real property records that support existence, ownership, overall valuation and classification (e.g., such as deed/title, appraisals, architectural designs and plans, occupancy permits, condemnation, filings, official correspondence with governments, material invoices, final invoices, total cost spreadsheets or downloads, and documentation that would support the acquisition or construction cost of material PP&E assets)*, excluding records relating to property acquired prior to January 1, 1921. (a) Records relating to property acquired after December 31, 1920, other abstract or certificate of title. Dispose 10 years after unconditional sale or release by the Government of conditions, restrictions, mortgages or other liens. (b)..." A new section would be added for non-real property as follows: *Personal (Non-real) property records that support existence, ownership, overall valuation and classification (e.g., such as title, appraisals, designs and plans, filings, official correspondence with governments, material invoices, final invoices, total cost spreadsheets or downloads, and documentation that would support the acquisition or construction cost of material PP&E assets)*, excluding records relating to property acquired prior to January 1, 1921. (a) Records relating to property acquired after

⁴ U.S. Code Title 44, Chapter 33 and NARA [Introduction to General Records Schedules](#)

December 31, 1920, other abstract or certificate of title. Dispose 6 years 3 months after final payment, however not before 2 years after an asset is removed from an agency's books for unconditional sale or release by the Government.. (b) Abstract or certificate of title Transfer to purchaser after unconditional sale or release by the Government conditions, restrictions, mortgages, or other liens.

17. A new section would be added at the end of the section to address transactional records as follows: *Other examples include PP&E records of a transactional nature, such as contracts, invoices, and payment documents. Such routine procurement files normally are subject to section 3 of this GRS or other GRS, as applicable, but the agency may determine that it is necessary to also retain any such record (high dollar, large scope, material to financial statements or other purposes) under that section to serve one or more of the purposes stated above.*

18. For the routine procurement files section of the GRS 3, the subgroup recommends no changes as the new reference above is intended to clarify its applicability to PP&E records "Contract, requisition, purchase order, lease, and bond and survey records, including correspondence and related papers pertaining to award, administration, receipt, inspection and payment. (a) Transactions that exceed the simplified acquisition threshold and all construction contracts exceeding \$2,000. Destroy 6 years and 3 months after final payment. However, management should use its judgment to determine if the records should be retained longer than the recommended periods. Management should assess its record retention needs based on factors such as audit requirements, capitalization thresholds, and other qualitative considerations. (b) Transactions at or below the simplified acquisition threshold and all construction contracts at or below \$2,000. Destroy 3 years after final payment."

Subgroup's Recommended Changes to GRS 8

19. The subgroup recommends that the GRS 8 section B have mention of capital investment and mentions of plant value removed to avoid confusion with GRS 3. The following wording would be deleted: *but in addition are a principle source of data on the capital investment in physical plan(as distinguished from maintenance or operating costs) an other items not normally represented in a store or stock inventory system. Summary data on plant value are also maintained.*

Appendix A: Examples of Existing Records Retention Guidance

NARA Guidance

20. The National Archives and Records Administration Act of 1984 amended the records management statutes to divide records management oversight responsibilities between the National Archives and Records Administration (NARA) and the General Services Administration (GSA). Under the Act, NARA is responsible for adequacy of documentation and records disposition ([44 U.S.C. 2904\(a\)](#)), and GSA is responsible for economy and efficiency in records management ([44 U.S.C. 2904\(b\)](#)). Federal agency records management programs must comply with regulations promulgated by both NARA (36 CFR Part 1228) and GSA.

21. GRS 3 - Procurement, Supply and Grant Records: Routine procurement files include contract, requisition, purchase order, lease, and bond and surety records, including correspondence and related papers pertaining to award, administration, receipt, inspection and payment. For procurement or purchase organization copy, and related papers, destroy 6 years and 3 months after final payment if transactions that exceed the Federal Acquisition Regulation (FAR)'s simplified acquisition threshold and all construction contracts exceeding \$2,000. Destroy 3 years after final payment if transactions are at or below the simplified acquisition threshold and all construction contracts at or below \$2,000.

22. GRS 4 – Property Disposal Record: These records pertain to the sale by agencies of real and personal property surplus to the needs of the Government. The act creating the General Services Administration (GSA) transferred to the new agency the functions of the former War Assets Administration relating to property disposition. This schedule is not applicable to transaction or policy files created by the GSA and predecessor agencies, to records in the Department of the Interior relating to the public domain, and to records relating to overseas property under Department of State control. Any surplus property transaction files dated prior to the establishment of the former Procurement Division of the Department of Treasury in 1933 must be offered to the National Archives and Records Administration (NARA) for appraisal before applying these disposition instructions.

23. GRS 8 – Stores, Plan, and Cost Accounting Records: These records are maintained by most agencies, particularly those with extensive plant and stock inventories. These records, which reflect the net worth of an agency and its assets, are periodically reconciled with supply data found in stock inventory records but they do not include procurement papers.

24. GRS 20 - Electronic Records: This schedule provides disposal authorizations for certain electronic records and for specified paper, microform, or other hard copy records that are integrally related to the electronic records. This schedule applies to

electronic records created or received by Federal agencies including those managed for agencies by contractors.

Federal Acquisition Regulation (FAR)

25. The Federal Acquisition Regulation requires that historical data be available for contracts for 6 years and 3 months after final payment.

United States Marine Corps Real Property Document Retention Checklist

26. U.S. Marine Corps (USMC) identifies three critical components of a real property document retention policy which it believes need to be “asserted” as a pre-requisite to proceeding with a cost efficient audit of real property line item of its balance sheet. The three critical components are as follows: (1) Create a list of approved required documents that are necessary and sufficient to support a financial audit; (2) Establish retention thresholds for the required documents; and (3) Create a checklist based on a list of approved required documents and established record retention thresholds, and provide that checklist to USMC’s component entities so they can use the checklist to support the USMC in an audit of its real property line item. When the three critical components are completed and asserted they will provide necessary and sufficient documentation and associated retention requirements for availability of future documents.
27. Currently there is no Department of Defense (DoD) policy on record retention requirements with regard to real property documents in supporting a financial audit.⁵ Broad guidance is available in the DoD Financial Management Regulation (FMR), Real Property Inventory Requirements (RPIR), and Construction in Progress Requirements (CIPR) documents, but these are not sufficient to define an actionable document retention policy in supporting a cost efficient financial audit.
28. USMC policy objectives are to achieve an unqualified financial audit opinion, while minimizing the costs and resources necessary for achieving compliance. The USMC hired consultants to help define a minimum set of documentation that is necessary, and that is collectively sufficient to satisfy the five management assertions required in financial audit, including an associated document retention policy. A useful chart was created that categorizes GPP&E records by the management assertion that they help satisfy.
29. The USMC project analysis, that is being reviewed internally, covers two general areas: (1) estimating the historical cost of properties where actual documentation is not

⁵ DoD Regulation 7000.14-R, “DOD Financial Management Regulation,” volume 1, chapter 9, “Financial Records Retention,” August 2000, states that all financial records, both paper and electronic, documenting the acquisition of DoD PP&E shall be maintained for at least the minimum period specified in the applicable GRS issued by NARA.

available, performed by a contractor; and (2) defining the minimum documentation required to support each attribute, as well as minimum retention periods for each type of document. The value of item (2) is that it goes beyond the previous information in current guidance.

30. The USMC goal in this effort is to get the necessary support, through FASAB and inter-agency workgroups, to define these necessary and sufficient levels of documentation including requirements for document availability. For example, relying on the contractor analysis, the USMC observes the SECNAV Manual 5210.1 as the current authority for Department of the Navy (DON) records schedules. While the NARA issues a General Records Schedule (GRS) for common records across federal agencies, U.S. Code Title 44, Chapter 33 also authorizes federal agencies to establish individual agency records schedules by submitting them to NARA for approval. The SECNAV Manual 5210.1 represents the DON's records disposition schedule that has been approved by NARA, and is therefore the Navy/USMC's governing authority for document retention periods. It has a very useful chart that sets retention periods by record group, such as permanent retention of instruments of real property ownership where records are transferred to NARA when property has been removed from DON accounts (e.g., deed/title, DD Form 1354), retention of contracting records (e.g., construction contracts, invoices) for 6 years and 3 months, and retention of documentation of official acquisition authorization/actions (e.g., condemnation filings, official correspondence) for 10 years. Until joint Navy/USMC review of SECNAV M-5210.1 is complete, USMC will set document availability requirements based on whether or not a real property asset is fully depreciated.

MOA between the DoD OIG and the U.S. Army Corps of Engineers

31. This Memorandum of Agreement (MOA) is an example of defining the adequacy of evidence supporting beginning balances and consideration of alternative documentation and auditability of such documentation. The purpose of this MOA is to develop alternative methods to support the acquisition and capitalized improvements for real and personal property, and was signed Jun 9, 2004 by the DoD OIG and U.S. Army Corps of Engineers (USACE) in coordination with GAO. This MOA allowed for use of other internal documentation to support values of older assets (e.g., engineer estimates and legacy system conversion spreadsheets).

OMB Guidance

32. Office of Management and Budget (OMB) has not issued any policy or other guidance on records retention by federal entities. With regard to federal entity financial statements, OMB only goes so far in OMB Circular No. A-136, Section II.2.10, to recognize that the financial statements are "prepared from books and records of the entity." In guidance issued by OMB on electronic recordkeeping by agencies (OMB Circular No. A-130, Appendix II, and OMB Memorandum No. 00-15), OMB acknowledges the role of NARA in setting record retention periods and related records management guidance. OMB further complements the records management guidance promulgated by NARA with its guidance to federal agencies on internal control, which

reiterates Government Accountability Office (GAO)'s internal control standards for documentation and data accessibility (OMB Circular No. A-123, Section II.C).

33. However, OMB prescribes some records retention requirements for parties that do business with federal agencies. For example, educational institutions, hospitals, and non-profit organizations that receive federal awards (e.g., grants) must retain records as prescribed by the "Common Rule" in OMB Circular A-110 (2 C.F.R. section 215.53), typically 3 years. Likewise, those organizations that receive federal awards and undergo an audit under OMB Circular A-133 must retain a copy of their financial statements, related schedules, and the audit report for 3 years, and their auditors must retain a copy of their work papers for 3 years, unless a longer period is directed. (In addition to OMB, other agencies often prescribe certain record retention requirements for parties that do business with the government, such as federal contractors under Federal Acquisition Regulation (FAR) Subpart 4.7, 48 C.F.R. Subpart 4.7.)

GAO, Audit, and Regulatory Requirements

34. Pursuant to the Budget and Accounting Act of 1921 and later statutes, GAO promulgated accounting and related recordkeeping requirements for agencies relating to the accounts of accountable officers (such as disbursing officers) and the related schedules, vouchers, and other supporting documentation, such as contracts. GAO issued this guidance because they audited each of these accounts and each of the transactions related to the accounts. In 1950, the requirement for GAO to audit each account was eliminated, but GAO retained the authority to periodically audit them. Therefore, GAO continued to prescribe the accounting and recordkeeping requirements. In addition, until 1996, GAO promulgated recordkeeping requirements related to claims by and against the government because GAO settled most claims. See 44 U.S.C. Section 3309. (In 1996, the claims settlement function was transferred from GAO to various executive branch agencies.)
35. GAO's accounting and recordkeeping authorities are concurrent with NARA's authorities to promulgate and approve records disposition schedules. (GSA also issues records management program guidance to agencies, but not disposition schedules.) See 41 C.F.R. Section 102-193.20. Guidance contained in Title 8 of GAO's *Policies and Procedures Manual for Guidance of Federal Agencies*, which was last issued to federal agencies in 1991, summarizes GAO's authority and GAO's relationship to NARA's records disposition schedules. As explained in this guidance, GAO relies primarily on NARA's General Records Schedules for record retention periods. In cases where agencies want to deviate from these schedules, they need GAO approval. See 36 C.F.R. Section 1228.22(f). GAO does not separately publish schedules or record retention periods.

Securities and Exchange Commission Retention Requirements - Audits and Reviews

36. Effective March 3, 2003, Securities and Exchange Commission (SEC) adopted rules requiring accounting firms to retain for seven years certain records relevant to their audits and reviews of issuers' financial statements.⁶ Records to be retained include an accounting firm's work papers and certain other documents that contain conclusions, opinions, analyses, or financial data related to the audit or review. Compliance with this rule is required for audits and reviews completed on or after October 31, 2003. As mandated by section 802 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act" or "the Act"), SEC amended Regulation S-X to require accountants who audit or review an issuer's financial statements to retain certain records relevant to that audit or review. These records include work papers and other documents that form the basis of the audit or review, and memoranda, correspondence, communications, other documents, and records (including electronic records), which are created, sent or received in connection with the audit or review, and contain conclusions, opinions, analyses, or financial data related to the audit or review. To coordinate with forthcoming auditing standards concerning the retention of audit documentation, the rule requires that these records be retained for seven years after the auditor concludes the audit or review of the financial statements, rather than the recommended period of five years from the end of the fiscal period in which an audit or review was concluded. As recommended, the rule addresses the retention of records related to the audits and reviews of not only issuers' financial statements, but also the financial statements of registered investment companies.
37. Section 802 of the Sarbanes-Oxley Act is intended to address the destruction or fabrication of evidence and the preservation of "financial and audit records." SEC directed under that section to promulgate rules related to the retention of records relevant to the audits and reviews of financial statements that issuers file with the Commission. Neither section 802 nor the final rule exempts auditors of foreign issuers' financial statements.
38. The availability of documents under this rule will assist in the oversight and quality of audits of an issuer's financial statements. Increased retention of identified records also may provide critical evidence of financial reporting impropriety or deficiencies in the audit process.

Internal Revenue Service Record Retention Requirements for Business Property

39. Internal Revenue Service (IRS) record retention on business property requires keeping records relating to property until the period of limitations expires for the year in which business disposes of the property in a taxable disposition.⁷ These records must be kept to figure any depreciation, amortization, or depletion deduction, and to figure the basis for computing gain or loss when a business sells or otherwise disposes of the property.

⁶ SEC Final Rule on Retention of Records Relevant to Audits and Reviews (Effective March 3, 2003)

⁷ IRS Publication 583 Starting a Business and Keeping Records (Revised January 2007)

AICPA Record Retention Guidance

40. The subgroup researched applicable AICPA and related auditing standards for information related to audit documentation and audit evidence. The auditing standards provided no specific guidance for record retention guidance.

International Financial Reporting Standards Record Retention Guidance

41. The subgroup researched International Financial Reporting Standards (IFRS) that the International Accounting Standards Board (IASB) and its predecessor organizations issued, and the subgroup did not find any IFRSs for retaining records supporting, property, plant, and equipment on the financial statements. The term IFRSs refers to the new numbered series of pronouncements that the IASB is issuing, as distinct from the International Accounting Standards (IASs) issued by its predecessor. More broadly, IFRSs refer to the entire body of IASB pronouncements, including: Standards (IFRSs) and interpretations (IFRICs) approved by the IASB and its International Financial Reporting Interpretations Committee (IFRIC); and Standards (IASs) and interpretations (SICs) approved by the predecessor IASC and its Standard Interpretations Committee (SIC). The IASB and IFRIC have issued, respectively, 8 IFRSs and 16 IFRICs. The IASC and SIC issued 41 IASs and 33 SICs (20 superseded). Two IFRSs relate to PP&E: IAS 16, "Property, Plant and Equipment," as amended May 22, 2008, and IAS 36, "Impairment of Assets, as amended May 22, 2008.

Appendix B: List of Abbreviations

AAPC	Accounting and Auditing Policy Committee
AICPA	American Institute of Certified Public Accountants
C.F.R.	Code of Federal Regulation
DoD	Department of Defense
DON	Department of Navy
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAO	Government Accountability Office
PP&E	Property, Plant, and Equipment
GRS	General Records Schedule
GSA	General Services Administration
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IRS	Internal Revenue Service
MOA	Memorandum of Agreement
NARA	National Archives and Records Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
SEC	Securities and Exchange Commission
SECNAV	Secretary of Navy
SFFAS	Statement of Federal Financial Accounting Standards
USACE	U.S. Army Corps of Engineers
U.S.C.	United States Code
USMC	U.S. Marine Corps